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Peru

Sugar

Annual

2000

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Report Highlights:

Sugar production for Marketing Year 2000 is estimated to reach 700,000 metric tons, up 45,000 MT from 1999. Due to new investments in the sugar production and processing industries, production for MY 2001 is forecast to increase to 720,000 metric tons.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

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Executive Summary

Production of cane sugar for calendar year 2000 is estimated at 700,000 MT, increasing 45,000 MT compared to the previous year. Favorable weather conditions, a plentiful water supply, and most importantly, new investment in renewing plantations, upgrading mills, and better management will drive this increase. After a temporary set back due to El Niño in 1998, cane sugar production recovered to 655,000 MT in 1999 and it is expected to maintain this upward trend for the upcoming years.

The sugar industry in Peru continues its path through the privatization process which started in 1996. Though somewhat slowly, the socialist type cooperative organization of the large plantations are giving way to private investors. The Government of Peru (GOP) is encouraging private investment in the sector and working to convince the worker/owners to sell their ownership shares to local or foreign investors. The cooperative administration led the industry to a deep internal financial crisis that resulted in less area harvested, abandoned fields, lower yields, and low extraction rates in the mills.

PSD Table						
Country:	Peru					
Commodity:	Sugar					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	108	98	78	135		130
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	680	655	750	700		720
TOTAL Sugar Production	680	655	750	700		720
Raw Imports	0	0	0	0		0
Refined Imp. (Raw Val)	300	343	250	300		300
TOTAL Imports	300	343	250	300		300
TOTAL SUPPLY	1088	1096	1078	1135		1150
Raw Exports	60	21	60	60		45
Refined Exp. (Raw Val)	0	0	0	0		0
TOTAL EXPORTS	60	21	60	60		45
Human Dom. Consumption	950	940	950	960		975
Feed Dom. Consumption	0	0	0	0		0
TOTAL Dom. Consumption	950	940	950	960		975
Ending Stocks	78	135	68	130		130
TOTAL DISTRIBUTION	1088	1096	1078	1135		1150

Export Trade Matrix	
Country:	Peru
Commodity:	Cane sugar
Time period: CY1999	Metric Tons
Exports for	1999
U.S.	21,207
Others not listed	46
Grand Total	21,253

Import Trade Matrix	
Country:	Peru
Commodity:	Cane sugar
Time Period: CY 1999	Metric Tons
Imports for	1999
U.S.	15,042
Others	
Colombia	172,274
Brazil	51,762
Guatemala	36,668
Total for Others	260704
Others not listed	67,661
Grand Total	343407

Production

Cane sugar production for MY (Jan/Dec) 2000 is estimated at 700,000 MT, increasing 45,000 MT compared to the previous year. This sharp increase will be the direct result of private investment in the industry which will translate into more planted area, new plantings replacing old fields, a better extraction rate due to the upgrade of the mills, and better quality of the cane at harvest time.

After four years of increases, cane sugar production fell for the first time in 1998. This drop of 32 percent to 460,000 metric tons, had mainly two reasons. First, weather conditions, the heavy rains brought by El Niño, made it impossible to cut off the water supply to allow the sucrose content to concentrate prior to the harvest. Secondly, the financial crisis not only led to a reduction of the area harvested but delayed the milling of the cane, with the consequent reduction of sucrose content. But production recovered in 1999 to 655,000 MT and is expected to maintain this growing trend for the upcoming future.

Most of the sugar cane in Peru is produced year round in the rich valleys along the northern coast. All the fields in this area are surface irrigated, which allows the producers to cut the supply of water at a given time to obtain higher sucrose yields. Under normal weather conditions, and if the cane is milled on time, sucrose yields are around 12 percent.

Consumption

Cane sugar consumption is estimated at around 960,000 MT during CY 2000. As the Peruvian economy improves, sugar demand will increase, especially in beverages, sugar bases and confectionary products.

Trade

Peruvian sugar exports for MY 2000 are estimated at about 45,000 MT. Peru's primary export market for sugar is the United States, under the sugar tariff-rate quota. The quota has usually been distributed by the Ministry of Agriculture among the sugar mills, but now the newly formed Sugar Producers Association is expected to take over this task, always under the watchful eye of the Ministry of Agriculture.

Sugar imports into Peru are estimated at 300,000 MT for MY 2000, a 40,000 MT decrease compared with 1999. As the sugar industry rebuilds itself, imports are expected to decrease even more, and disappear in the next five years.

Cane sugar is assessed 12 percent import duty plus the variable levy on a CIF basis. Under the variable levy system sugar is assessed a tax depending on the international prices (the lower the international price, the higher the tax).

SUGAR PRODUCING COMPANIES				
NAME	TOTAL AREA (Hectares)	CANE AREA (Hectares)	MILLING CAPACITY (MT/day)	ACTUAL MILLING (MT/day)
Casa Grande	29,384	24,700	9,000	4,000
Laredo	5,080	4,687	2,000	1,500
Cartavio	6,566	6,254	5,000	2,500
Pomalca	15,819	12,495	3,500	2,000
Pucala	8,530	6,866	3,500	2,000
Tuman	12,311	8,200	4,000	2,200
Cayalti	7,252	5,413	2,500	1,284
San Jacinto	10,422	7,231	2,800	2,000
Paramonga	8,396	6,566	3,500	2,800
El Ingenio	656	612	n/a	n/a
Andahuasi	4,617	2,705	1,000	n/a
Chucarapi	1,794	1,256	500	369
TOTAL	110,827	86,985	37,000	15,591

Policy

After four years trying to privatize and attract investors to the sugar sector, the GOP is still struggling with some old issues, especially in the social area. Contrary to what the GOP thought at the beginning of the privatization process back in 1996, selling the cooperatives to the private sector has become a very difficult task. There are about 35,000 worker/owners in these 12 sugar estates. If retired workers and families are included, as well as related businesses located on the estates, the population dependent directly on the ex-sugar cooperatives is at least 250,000 people.

A general unrest among the worker/owners of some sugar estates, continue to be the major obstacle for privatizing these companies. Worker/owners have been told for a long time that their land is the best in the country and have overpriced it. They do not take into account the major debts carried by the cooperatives. More over, in an attempt to keep their power and income, the ex-coop leaders have influenced the workers not to sell. At this moment, seven ex-coops have been successfully privatized, one is going through the due diligence process by the potential investor, and three still remain in hands of the workers.